

Fool's Gold or Treasure Trove?

Making Good on the Promise
of Print Assessments

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In 2001, the world's leading information technology research and advisory company, Gartner, Inc., released a seminal research report¹ that claimed an astonishing 1 to 3% of an organization's entire annual revenues were deployed to cover internal printing costs. Later, International Datagroup (IDC) independently confirmed the logic of these estimates. This suggested a total global spend of approximately *\$150 billion* on printing devices, consumables and maintenance, a figure in accordance with estimates from the world's largest imaging and printing systems provider, Hewlett Packard.

Gartner's analysis highlighted the areas of print expense waste that often pervade large organizations. Among other things, this included excess capacity, lack of standardization, obsolete or aged devices, unmanaged supplies and user printing, proliferation of small expensive desktop units and fragmented maintenance and service contracts. Taken together, Gartner suggested that "print is the last bastion of savings" in enterprise IT and that savings of 10 to 30% were realizable with the implementation of an intelligent print management program. To this alluring prospect, Gartner attached the moniker, "The Hidden Gold Mine".

The market responded immediately and a plethora of companies stepped forward to help CIOs, CFOs, and other executives tap into these hidden riches that could, of course, be redeployed for more productive purpose. Large, multinational printer and copier vendors, in addition to the legion of Value Added Resellers (VARs) representing multiple lines, became engaged in this search with their clients through the ubiquitous "complimentary print assessment".

Regrettably, the purported value of these free print assessments has been called into question throughout North America. Customers expected objective advice from their hardware vendors to help them achieve real and measurable cost reductions. Rather, they

essentially received reports, or more properly "proposals", for new print products and services that promised rapid return on investment, as if infrastructure was all that was standing in the way of success. Supported by skewed economic rationale and unscientific assumptions, and bereft of any operational process or change management guidance, these reports have created confusion and doubt, and the "hidden gold mine" notion has been tarnished.

So the question is thus: Is Gartner's print-based hidden gold mine indeed fool's gold, or does it represent a treasure trove of value? Are there key factors for success underlying a print assessment? Is there a proven process, if diligently followed, that will deliver organizations to this promised 10 to 30% print savings?

The answers to these questions is 'yes'. This White Paper is based on The Print Operations Group's (POG) thirteen years of conducting print optimization assessments throughout North America. We have conducted over 120 assessments and have identified and substantiated over *\$80 million dollars* of annual savings for our clients. It is from this base of experience and track record of success that we believe we can help you make good on the promise of print assessments.

In this White Paper, we'll share with you:

- ◆ How to understand your print spend inefficiencies and therefore evaluate the size of the savings opportunity.
- ◆ How to identify which deployment approach is right for you.
- ◆ The 10 key success factors supporting a successful deployment.

First Things First: Understanding Your Print Spend Inefficiencies

Despite the plummeting cost of printers, multi-function devices and high volume copiers, print expenses (and indeed, waste), continues to rise. As noted previously, there are several factors that contribute to print expense waste, which you need to quantify at the outset through a corporate-wide print assessment. These factors include:

- ◆ Unmanaged user printing: End users, especially so-called "power users", rarely have knowledge of the true cost of their printing activities, and without controls and measures, waste can be substantial.
- ◆ Unnecessary use of expensive devices: Related to the above, unmanaged and unbridled printing on expensive devices like small desktop units and color lasers can remarkably increase your annual print spend, with little benefit delivered to your business.
- ◆ Excess capacity: Many companies are surprised to discover that their printing device inventory is far in excess of what their asset registry suggests, due to unauthorized purchases using corporate discretionary funds. This lowers employee/device ratios and increases operating costs.
- ◆ Lack of standardization: Without a unified print strategy, a company's fleet of printing assets can become non-standardized reflecting the purchaser's preferences or vendor's marketing influences. Non-standardized fleets reduce economies of scale in hardware, consumable and maintenance purchases, and reduce internal IT support efficiencies.
- ◆ Antiquated equipment: old printer and copier technology is less reliable, more expensive to operate and slow. In fact, experts suggest that a typical \$1 billion business needlessly spends as much as \$6 million per year because of dated equipment.ⁱⁱ

A comprehensive print assessment should be much more than just a dry accounting of print devices, usage inefficiencies, infrastructure capabilities and related expenses. It should include a full assessment of work process, staff need, physical layout, and performance versus industry benchmarks and best practice, among other things. This will help arrive at both a quantification of possible savings (through replacement, rationalization, optimization and the like), as well as recommendations around business processes that can be amended to enhance end user productivity. **In other words, a print optimization strategic plan is only a plan if it includes a robust modelled state encompassing people, process and technology issues, supported by intelligent change management protocols.**

Which Deployment Approach is Right For You?

The print savings that are proposed in any print assessment report or strategic plan - whether prepared by POG, a vendor or VAR - are but a guideline, an indication of what is attainable. The quantum of savings your organization can actually achieve through deploying the recommendations contained in a print assessment report is proportional to the extent of change your organization is willing to undertake, and is dependent on the deployment approach employed and the level of resources (time/effort/money) expended.

Consider an industry standard metric of print efficiency: the ratio of staff to office equipment. Our benchmarking research and assessment of hundreds of thousands of users indicates an industry best practice of 8:1. If, for example, your organization is operating at 2:1 but wants to be at 8:1, the level of change management will be significant and so too the prospective savings. An incremental approach may suggest a move from only 2:1 to 4:1, but

while change management impacts are fewer, so too will be the financial dividend generated.

An important first step in any print optimization deployment exercise is to therefore conduct an internal executive review of willingness to proceed down the print optimization path, including an assessment of the extent of change the organization can tolerate and the level of financial payback desired, items which need to be balanced against other organizational priorities and conditions. Once your executive team has affirmed their willingness to act, established their tolerance profile and agreed on ROI targets, then one can determine which deployment approach, and therefore which strategic advisory partner, is right for you.

Essentially, there are four deployment options to consider:

RENEWAL/REPLACEMENT

This strategy largely, if not exclusively, consists of the renewal or replacement of existing equipment with similar or new devices. Because this approach tends to approximate a 1:1 replacement of printing device stock, minor cost reductions may be achieved although they can be difficult to substantiate given capital acquisition, disposition and related costs. To be sure, end users may express enhanced levels of satisfaction given improved equipment functionality and performance, but this does not necessarily come with material improvements in productivity or operational efficiency. No strategy assistance is required to effect this solution, nor is it considered cost feasible, as the benefits of renewal or replacement are most often negligible.

SUMMARY OF APPROACH: Minimal effort, minimal benefit, zero strategy.

REFRESH

In addition to renewal/replacement there is the approach of consolidating obvious redundancies in equipment. Through their free assessments, vendors suggest that massive cost savings are achievable via a refresh

protocol. The challenge here is that without a thorough baseline assessment that breaks out current costs and user requirements, it will be impossible to measure savings. With the significant investment in capital required, a typical refresh approach can actually cost you more, or at best generate savings that are difficult to substantiate and report. This approach is typically a favourite with equipment vendors as it is easy to sell and invariably produces large orders of equipment. *SUMMARY OF APPROACH: Minimal effort, superficial enhancement, zero strategy.*

RATIONALIZATION

A rationalization program will typically address the entire distributed printing environment and may extend into central reprographics and other document management domains. The underlying strategy of rationalization is to eliminate poor performing equipment, standardize physical stock and logically consolidate equipment to reduce your all-inclusive price per page. Rationalization is a medium to long term approach and it requires solid orchestration, an enterprise wide view, more resource expenditure and knowledge of industry best practice. Rationalization can produce cost reductions from 10 to 20%, and therefore represents a more productive approach versus replacement or refresh which normally requires large capital outlays. *SUMMARY OF APPROACH: Change management effort essential, significant value generated, strategy required.*

REVITALIZATION

Revitalization is considered the gold standard of print optimization and the approach advocated by POG. This approach uses rationalization as its foundation and incorporates renewal and refresh approaches where warranted. Benchmarking, gap analysis and identifying industry best practice are incorporated into the revitalization approach, which is taken to the next level of strategic excellence by incorporating end user and work flow analytical processes that drive both print

cost reductions and productivity increases. While the revitalization approach takes more time and effort to create, implement, manage and optimize, the print savings that result can exceed 20 to 30%, with productivity and user satisfaction gains producing additional value to your organization. Executed well, revitalization strikes a balance between efficiency and effectiveness of the new solution with its costs, and can deliver your organization to the promised treasure trove of print savings.

SUMMARY OF APPROACH: Disciplined and well structured change management approach, exceptional cost reductions and productivity benefits, process and methodology required.

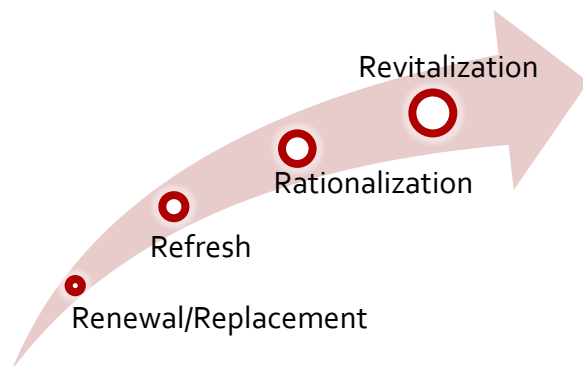


FIGURE 1 – Deployment Curve: As effort and scope increase in the deployment exercise, so too do the financial dividends. A revitalization approach, while resource intensive, produces the biggest long term gain of any other approach.

Your preferred place on the Deployment Curve, including your goals, desired level of effort and change management tolerance, will dictate the type of deployment partner you should choose. For the Renewal/Replace or Refresh option, the service provider landscape is wide and includes small and large manufacturers, VARs, or even your own staff resources. Most often these assessments are offered as complimentary, however, “free” is never free and they can lack objectivity or a holistic view of the enterprise. The latter point is key, as dynamic changes in technology and work processes are pushing

companies to view output infrastructure and content management from an enterprise-wide level. So while there is potentially much money to save, you must know your current spend and develop a strategy if you wish to maximize the value from investments that vendors and manufacturers will ask you to make. The return on investment can be impressive, but only if you make the up-front investment. No investment equates to no or minimal returns.

Rationalization is a more involved approach and the strategy and implementation requirements dictate that you need outside help. While the provider landscape is limited – POG, large vendors and a handful of software vendors – the quality of assessment is superior and potential savings larger. Finally there is the Revitalization strategy where the service provider landscape is limited to POG and its competitors. In our view, the crucial thing to look for is a partner who demonstrates understanding of the 10 key factors for successful implementation that have been identified by companies who have actually gone through a print revitalization effort.

Key Factors for Successful Implementation

Through thousands of client interactions and a wealth of satisfaction surveying and benchmarking, consumers of print optimization services have helped us to distil the key factors for success that underlie an effective engagement - one that actually produces material print cost savings and end user productivity gains. The ten key factors for success identified include:

1/ ENSURE COMPLETE VENDOR NEUTRALITY

When selecting a print assessment service provider, ensure the company is not aligned or associated, in any manner whatsoever, with a manufacturer or VAR. Moreover, the company must not themselves supply hardware,

software, consumables or maintenance services, and they must always recuse themselves from participating in any RFP submissions that may result from the deployment process. This neutrality ensures only objective advice is delivered and no possible conflicts of interest exist.

2/ EMPLOY ROOT CAUSE ANALYSIS

Root Cause Analysis (RCA) stresses the importance of looking beyond surface problems or symptoms (e.g., high per unit cost to print) to the underlying causes of less than effective operational processes. Absent an RCA approach, print assessments will largely focus on discussions of direct costs (hardware, consumables and maintenance), which invariably render only infrastructure change recommendations. As experienced print assessment consumers will attest, infrastructure changes typically only capture 10 to 20% of the total available savings.

3/ DEMAND A COMPREHENSIVE ROADMAP

A print assessment should not result in a proposal for products and services, as this does not constitute a strategy. In contrast, a proper and practical print assessment report must consist of a detailed summary of present state of the printing environment, benchmark results against industry best practice, gap analysis, strategic and tactical recommendations, solution architecture, print/document governance model, change management impacts, work plan, budget and risk management considerations, all set within the context of an overall corporate wide print strategy that quantifies real savings. It is only with such a comprehensive roadmap can the promise of print optimization be achieved through downstream deployment activities.

4/ EMPLOY A PROCESS EXCELLENCE FRAMEWORK

Developing a comprehensive strategic roadmap is the first step of the print optimization process, and allows your

organization to properly identify and quantify the savings opportunities. This step, however, must be considered a component part of a larger process excellence framework. For example, the POG framework separates the assessment phase from the deployment phase, which is the tactical process of capturing the identified savings and productivity benefits. This framework contains also a separate management phase which systematically monitors and measures the benefits obtained, and a final step that makes process and/or technology adjustments in the spirit of continuous improvement. The model incorporates concepts found in other effective approaches, such as Six Sigma, and ensures client expectations are met.

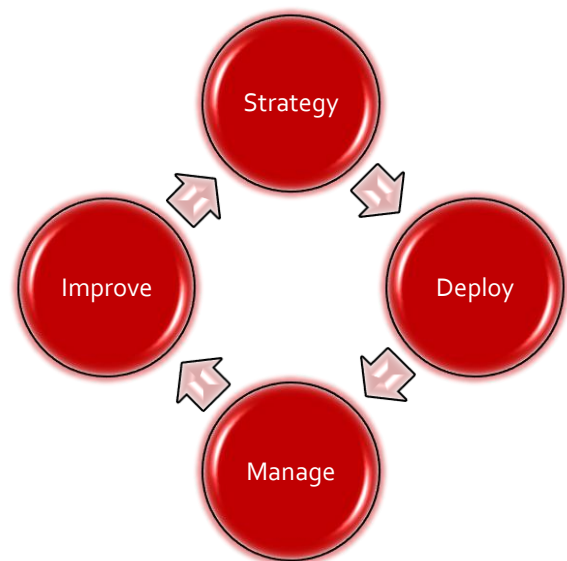


FIGURE 2 The Print Operation Group's comprehensive assessment process and optimization methodology has delivered more than \$80 million in annual print savings to customers throughout North America.

5/ TAKE AN ENTERPRISE-WIDE VIEW

Since there is normally overlap in installed technology coverage and work processes, the scope of print studies should be enterprise-wide, and include all the print related costs of the entire corporation (distributed copy and print environment, central reprographics and

production print, scanning, plotting, fax technologies and records management). Only with a holistic examination can the value of the print assessment be maximized. Unfortunately, since vendor/VAR product sets do not always span the needs of the entire enterprise, their assessments will not allow your organization to extract maximum value from the print assessment process.

6/ REVITALIZE AND OPTIMIZE

The magnitude of financial and operational process benefit that your organization can achieve via print assessment correlates with the effort expended. Cost savings can be elusive, if your organization adopts the renewal or refresh modality that is favoured by vendors and VARs. Instead, a print assessment process whose foundation is premised on rationalization, revitalization and optimization of both technology and process, can deliver the desired treasure trove of cost savings.

7/ DON'T UNDERESTIMATE THE CHANGE MANAGEMENT EFFORT REQUIRED

80% of the effort involved with a successful print revitalization program consists of change management (related to work processes), what POG calls "cultural navigation" (see inset box, next page). Irrespective of the quality of the proposed strategy, if end users do not embrace it, consider the print environment changes to be untenable or believe that their personal printing privileges will be unnecessarily impinged, the print optimization effort will go away. Navigating through these change management issues takes time, finesse, proven methodologies and real effort, things for which vendors and VARs offering free assessments do not traditionally demonstrate competence nor desire. Stated another way, intelligent and dedicated transition planning can make or break your ability to achieve the savings highlighted via your print assessment.



FIGURE 3 Cultural navigation is POG's phrase for people-oriented change management, where we implement our revitalization efforts with end users rather than to end users. It consists of upfront communication with end users and management. It's about securing sign off and end user approvals before we deploy, and ensuring their applications actually work when new technology is installed. It's also about following up to ensure everything is working to their satisfaction. In short, it's about helping people see the benefits of the change and therefore obtaining their support for the Print Revitalization Program.

8/ UTILIZE SPECIALIST CONSULTANTS

There is an art and a science to enterprise-wide print optimization assessments. It therefore pays to use a specialist company with a track record of success in both distributed and centralized/production print environments. Moreover, they must have a large pool of subject matter experts to draw from to conduct assessments, with ample experience writing RFP's and SLA's for post print study deployment purposes.

9/ FOCUS ON CONTINUAL IMPROVEMENT

Because organizations and the competitive landscape within which they operate are in a constant state of flux, corporate print optimization should not be considered a one-time exercise. Like other corporate performance management endeavours, ongoing print optimization should remain part of "the way you do business". To achieve continuity in print optimization, it is essential to

use a service provider with a scalable optimization approach that works at various moments-in-time, or alternatively, one that offers a steady state measurement and optimization service that can effect corrective action as problems, inefficiencies or unintended consequences arise.

10/ FUND THE ASSESSMENT

Recognize that an enterprise-wide assessment of print infrastructure and associated business process will require experienced resources, industry objectivity, proven processes, established programs – and funding. Companies that have derived the greatest financial dividend from print assessments are those that have retained – and paid for – independent third party advisors. Accepting free assessments from vendors, who bury the cost of their limited inquiry within their post-assessment hardware/software/service proposals, does not ensure the “all stones turned over” integrity of a paid assessment.

A Final Word

We know, and our hundred-plus customers will attest, that the magnitude of savings that can result from a well-conceived and executed print assessment and revitalization program are significant. If your organization is contemplating such as assessment, it pays to do your homework. For those competing for your business, ask some good questions: Do they take an enterprise-wide view? Will their final deliverable include a comprehensive strategy inclusive of proven effective change management protocols? Are they vendor neutral? Are they oriented towards a revitalize approach, or do they prefer a renew, refresh or replace approach? Can they *actually* substantiate the savings they produced at other companies? Picking the right partner for this comprehensive assessment is essential and can make the difference between receiving fool's gold or a treasure trove of value.

Cultural Navigation is Essential to Success

It is **effective change management** that renders the biggest print optimization payoff, not simply moves in the hardware domain. The Print Operations Group's Cultural Navigation process is designed to minimize the dislocative impacts inherent in any major change management process, and includes the following major steps:

1. Create and disseminate detailed, approved action plans that include budget, manpower and other resource requirement information. Involving key stakeholders as early as possible, and providing workflow automation software as a value add, is also part of our approach.
2. Based on plan parameters, write RFPs, assess response and negotiate agreements. Don't forget the service level agreement (SLA).
3. Design and implement a communications program for management and end user groups to ensure end state and interim process steps are understood.
4. Create “current” and “proposed” floor configuration sign-off documents for management approval.
5. Initiate the Optimization Delivery Services[®] to measure and manage progress and continuously monitor the impact of print optimization efforts, enhance customer satisfaction and improve end-user productivity.
6. Facilitate applications testing, and include the end users, prior to removing “non standard” equipment.
7. Begin the 60 day guarantee program to ensure customer satisfaction.
8. Measure customer satisfaction through surveys and other research methods and report results to management.
9. Measure results and generate post install review report.

About The Print Operations Group

The Print Operations Group (POG) is an independent Print Optimization Solutions provider that has an excellent track record of identifying, capturing and measuring significant print related and content management cost reductions while improving end user satisfaction and productivity. Services include:

1. Infrastructure analysis and industry benchmarking
2. Complete turn-key solution deployment
3. Rationalize and automate print related tasks
4. Identify and implement e-Print ..or NOT print opportunities
5. Optimization Delivery Services[®]
6. Custodians of the Benchmarking Information Portal

We get involved with all aspects of:

- ♦ Printers, copiers and multi-functional technology
- ♦ Fax machines and desktop faxing software
- ♦ Central reprographics
- ♦ Outsourced and external 3rd party print
- ♦ Pre-printed and electronic forms automation
- ♦ Content/records/document management
- ♦ RFP and SLA process – creation, distribution, evaluation and negotiation
- ♦ Hardware and software certification testing
- ♦ Managing outsourcing contracts
- ♦ Infrastructure and Content sustainment programs

For More Information

To learn more about The Print Operations Group and our approaches to help organizations make good on the promise of print assessments, please contact at our head office:

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ⁱ Rightsizing Output Fleets – The Hidden Goldmine, J. Lundy, Gartner Group, 2001

ⁱⁱ Five Technology Mistakes Smart Companies Make – And How to Avoid Them, www.smartbusinessmag.com, July 1, 2001.